

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF THE DISTRICT OF COLUMBIA  
HOUSING AUTHORITY'S CONTRACT  
MANAGEMENT AND RECORD KEEPING FOR  
HOPE VI PROJECTS**



**CHARLES C. MADDOX, ESQ.  
INSPECTOR GENERAL**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



April 21, 2003

Michael Kelly  
Executive Director  
District of Columbia Housing Authority  
1133 North Capitol Street, N.E., Suite 200  
Washington, D.C. 20002

Dear Mr. Kelly:

Enclosed is the final report summarizing the results of the Office of the Inspector General's (OIG) Audit of the District of Columbia Housing Authority's Contract Management and Record Keeping for HOPE VI Projects (OIG No. 01-2-25PH (b)). This is the second in a series of three reports.

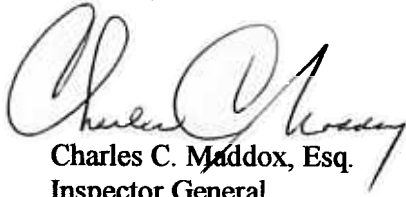
As a result of our audit, we directed five recommendation to the District of Columbia Housing Authority (DCHA) for necessary action to correct the described deficiencies. Specifically, our audit disclosed that DCHA did not fully comply with applicable program rules and regulations for awarding contracts to developers or contractors to undertake redevelopment activities for HOPE VI projects.

We received a response from DCHA on March 14, 2003, to the draft of this report. DCHA commented on each of the two findings contained in this report, providing detailed explanations as to why they concurred, or partially concurred with our findings and recommendations. DCHA's response is incorporated in its entirety in Exhibit C to this report. DCHA's comments were responsive to the draft report recommendations. However, we request that DCHA provide additional details concerning past and future in-house reviews by its Office of Audit and Compliance to improve document control (Recommendation 5) and provide us target completion dates for planned corrective actions. All responses to this final report should be received by May 21, 2003.

Mr. Michael Kelly  
April 21, 2003  
Page 2 of 3

If you have questions, please contact me or William J. DiVello, Assistant Inspector General for Audits, at the number below.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles C. Maddox".

Charles C. Maddox, Esq.  
Inspector General

CCM/ws

Enclosures

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**AUDIT OF THE DISTRICT OF COLUMBIA HOUSING AUTHORITY’S  
CONTRACT MANAGEMENT AND RECORD KEEPING FOR  
HOPE VI PROJECTS**

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## EXECUTIVE DIGEST

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### OVERVIEW

The District of Columbia Office of the Inspector General (OIG) has completed an audit of the District of Columbia Housing Authority's (DCHA) administration of the HOPE VI Program. This is the second in a series of reports to address various functions associated with DCHA's management of redevelopment projects funded with HOPE VI Grant funds. The audit was performed to determine whether: (1) the selection process used by DCHA to award contracts to developers/contractors for HOPE VI projects was fair and provided equal opportunity to all qualified applicants under existing laws, rules and regulations; and (2) DCHA's record keeping for activities relating to the HOPE VI funded projects was effective.

We reviewed records related to the award of contracts and/or purchase orders by DCHA to developers or contractors for the four revitalization and three demolition projects listed below:

1. Ellen Wilson Redevelopment;
2. Wheeler Creek Redevelopment;
3. Frederick Douglass/Stanton Dwellings;
4. East Capitol Dwellings/Capitol View Plaza;
5. Fort Dupont/Stoddert Terrace Demolition;
6. East Capitol Demolition; and
7. Highland Demolition.

### CONCLUSIONS

DCHA did not fully comply with applicable program rules and regulations for awarding contracts to developers or contractors to undertake redevelopment activities for HOPE VI projects. Specifically, DCHA did not follow HUD regulations because it failed to obtain prior written approval to use the force account program (in-house labor) for modernization activities at the Fort Dupont/Stoddert Terrace demolition project. The use of the force account labor provided DCHA the opportunity to serve as its own main contractor to perform various infrastructure improvements and to spend \$1.1 million on in-house labor, rather than obtaining these services using competitive procurement procedures. In our opinion, DCHA should have prepared and submitted a cost benefit analysis for HUD's approval prior to making a decision to use in-house labor for the project. Furthermore, the Fort Dupont/ Stoddert Terrace project is not finished and the completed work was not done in accordance with DCHA's original plans that were approved by HUD. Since 1998, \$1.9 million (in total) of HOPE VI grant funds have been spent by DCHA on this project, yet the project remains incomplete.

Based on concerns about ethics practices in the contractor selection process for the East Capitol Dwellings/Capitol View Plaza redevelopment project, we interviewed DCHA officials and sought a legal opinion from HUD. Although HUD opined that no conflict of interest existed in this matter, we found that DCHA lacked ethics policies and procedures, particularly regarding ethics training for senior managers.

## **EXECUTIVE DIGEST**

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Finally, DCHA needs to improve its record maintenance procedures. DCHA did not always have required records available and could not readily provide certain documents during our review.

### **SUMMARY OF RECOMMENDATIONS**

We addressed five recommendations to the DCHA Director that we believe are necessary to address the concerns described above. The recommendations focus on:

- establishing policies and procedures requiring ethics training for all executives and senior managers;
- ensuring that all executives and senior managers receive ethics training promptly;
- establishing policies and procedures for complete and adequate record keeping;
- developing a task force comprised of DCHA employees not exclusively responsible for maintaining records to periodically review record keeping practices to ensure that there is effective document control; and
- establishing policies and procedures requiring the development of a cost benefit analysis for using in-house labor on HOPE VI projects and submission of the analysis to HUD for its approval prior to initiating work on HOPE VI projects.

### **MANAGEMENT RESPONSE AND OIG COMMENTS**

On March 14, 2003, DCHA provided a formal response to the recommendations in the draft audit report. Generally, DCHA officials concurred with most of the recommendations outlined in this report. DCHA provided detailed responses to each of the findings and recommendations. DCHA partially concurred with two of the five recommendations. We consider DCHA detailed responses to be responsive to the recommendations. However, we note that none of DCHA responses indicated expected implementation dates of the recommendations. The complete text of the DCHA response is included at Exhibit C.

A summary of the potential benefits resulting from the audit is shown at Exhibit A.

## INTRODUCTION

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### BACKGROUND

The District of Columbia Housing Authority Act of 1999 (D.C. Law 13-105) (Act) reestablishes the District of Columbia Housing Authority (DCHA) as an independent corporate body with legal existence separate from the District government, and as a “successor in interest to the housing authority created by [the District of Columbia Housing Authority Act of 1994].” D.C. Code § 6-202(a) (2001). DCHA’s purpose is to “govern public housing, implement the Housing Act of 1937 in the District, and provide decent, safe, and sanitary dwellings, and related facilities, for persons and families of low- to moderate-income in the District.” *Id.* §.6-202(b). The Act also vests DCHA’s authority in a Board of Commissioners, which is responsible for appointing and supervising DCHA’s Executive Director, who directs the day-to-day operations of the Authority. *See id.* §§ 6-211(a) and 6-213(c)(1). For fiscal (FY) 2002, DCHA’s consolidated budget was approximately \$347 million.

DCHA’s mission is dedicated to enhancing the quality of life in the District of Columbia by providing and effectively managing affordable housing which is diverse, well-maintained, and aesthetically pleasing for those whose circumstances prevent them from competing in the general marketplace. DCHA’s goals for redevelopment include a continued move toward opportunity for economic, racial, and social integration in economically vibrant communities through the implementation of redevelopment plans that are developed jointly by residents, community members, public and private partners, and are in line with market forces. In keeping with its mission, DCHA administers several federally funded programs for the benefit of District citizens. One such program is HOPE VI, which serves a vital role in the U.S. Department of Housing and Urban Development’s (HUD) efforts to transform public housing.

The HOPE VI Program was developed as a result of recommendations contained in a report submitted to Congress on August 10, 1992, by the National Commission on Severely Distressed Public Housing (Commission). The Commission recommended revitalization in three general areas of public housing: physical improvements, management improvements, and social and community services to address resident needs. Congress responded immediately to the Commission’s report and appropriated \$300 million to HUD on October 6, 1992, to implement recommendations. To date, the HOPE VI Program has awarded over \$4 billion in grants to redevelop failed public housing projects into mixed-income communities throughout the United States. Housing authorities can use HOPE VI Program funds in conjunction with modernization funds or other HUD funds, as well as municipal and state contributions, public and private funds.



## INTRODUCTION

Since 1993, HUD has awarded DCHA a total of \$110,231,431 under the HOPE VI program, in an effort to transform public housing in the District. The grant funds have been utilized to finance four revitalization and three demolition projects at severely distressed public housing communities in the District of Columbia.<sup>1</sup> The grant was awarded after the commencement of our fieldwork. Table 1 (below) shows specific details for each award.

<b><u>Table 1. Schedule of HOPE VI Grant Awards</u></b>		
Project Name	Date of Award	Amount of Award
Ellen Wilson	12/29/94	\$ 25,075,956
Frederick Douglass Stanton Dwellings	04/04/00	29,972,431
Wheeler Creek	03/06/98	20,300,000
East Capitol Dwelling	01/11/01	30,867,337
Fort Dupont Stoddert Terrace Demolition	08/29/97	1,995,000
East Capital Demolition	01/28/00	1,288,707
Highland Demolition	01/28/00	732,000
<b>Total</b>		<b>\$110,231,431</b>

After receipt of an award, DCHA contracts with private development firms/contractors to carry out the revitalization and/or demolition projects.

### OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objectives of the audit were to determine whether DCHA: (1) managed and used resources in an efficient, effective, and economical manner; (2) administered funds in compliance with applicable laws, rules and regulations, policies and procedures; and (3) implemented internal controls to prevent or detect material errors and irregularities.

<sup>1</sup> We did not review records for the recent \$35 million HOPE VI Grant awarded to DCHA related to the Arthur Capper Dwellings.

## INTRODUCTION

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Our specific objectives in this audit were to determine whether: (1) the contractor selection process used by DCHA to award contracts to developers/contractors for HOPE VI projects was fair and provided equal opportunity to all qualified applicants under the program's laws, rules and regulations; and (2) DCHA's record keeping for activities relating to the HOPE VI funded projects was effective.

To accomplish our objectives, interviews and discussions were held with DCHA's management and administrative staff to gain a general understanding of the policies, procedures, and other controls used by DCHA to award contracts. We reviewed and analyzed seven HOPE VI grant award documents, related contracts and purchase orders for redevelopment services, bid tabulations sheets, and other pertinent documents and records.

DCHA could not provide us with accurate, complete, and timely records and reports. As a result, the audit process was substantially and significantly delayed. The details regarding the problems encountered with DCHA records are discussed in Finding 2. For nearly 5 months OIG auditors requested that DCHA provide grant agreements and revitalization plans for several projects. During that period, auditors met with DCHA management and sent numerous memoranda requesting the documentation. When DCHA provided requested records, initially the records were incomplete and lacked significant attachments or other relevant documents. After additional repeated requests, DCHA provided missing attachments and documents.

Overall, the audit covered the period December 1, 1993, to January 31, 2002. However, in some cases, we reviewed documents beyond the audit period because many of the projects are in various stages of completion. We conducted the audit in accordance with generally accepted government auditing standards and included such tests as we considered necessary under the circumstances.

We will be issuing one additional report that addresses DCHA's financial management of HOPE VI funds.

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## FINDINGS AND RECOMMENDATIONS

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<b>FINDING 1: COMPLIANCE WITH PROCUREMENT REGULATIONS</b>
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### SYNOPSIS

DCHA did not fully comply with applicable program rules and procurement regulations for awarding contracts to developers/contractors for two HOPE VI projects, the Fort Dupont Additions/ Stoddert Terrace demolition (Fort Dupont) and the East Capitol Dwellings/Capitol View Plaza revitalization (East Capitol) projects. For the Fort Dupont projects, DCHA used in-house labor, amounting to approximately \$1.1 of the \$1.9 million of HOPE VI appropriations, to undertake modernization activities without preparing or submitting a cost benefit analysis to HUD and without obtaining HUD's approval. We believe that DCHA's decision to use in-house labor may not have been the most efficient or economical choice to complete this project. The project was not finished and the completed work was not performed in accordance with the FY 1996 HOPE VI Demolition Application for Fort Dupont Addition and Stoddert Terrace (Application), dated September 10, 1996. The Fort Dupont Project is currently stagnant. In the case of the East Capitol project, the contract award process called into question the integrity of DCHA's contracting practices.

### DISCUSSION

#### The Fort Dupont/Stoddert Terrace Demolition Project

**The Force Account Program.** DCHA could not provide us with documentation of HUD's approval for DCHA to use the force account program to undertake modernization activities for the Fort Dupont projects.<sup>2</sup> HUD regulations require DCHA to obtain prior approval before using force account activities (in-house labor) to perform modernization activities. Use of the force account program provided DCHA the opportunity to spend \$1.1 million on in-house labor, rather than obtaining redevelopment services through routine competitive procurement procedures. Furthermore, DCHA officials did not prepare a cost benefit analysis for submission to HUD, indicating the cost benefit of using force account labor.

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<sup>2</sup> The Force Account is a program used by a housing authority that allows it to serve as the contractor while using its own employees to conduct modernization, redevelopment, and physical improvements to housing authority units and/or property.

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## FINDINGS AND RECOMMENDATIONS

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HUD Handbook 7485.3G, The Comprehensive Grant Program states:

a housing authority may undertake the modernization activities using force account labor, but only where specifically approved by HUD. The HUD field office shall approve the use of force account labor only where it is cost-effective and appropriate to the scope and type of physical improvements, and the housing authority has the capacity to serve as its own main contractor while still providing an adequate level of routine maintenance during force account activities

DCHA officials told us that HUD was aware of DCHA's use of force account procedures and had granted approval for their use. However, DCHA could not provide us with documentation of HUD's approval. In an effort to clarify this issue, we contacted a HUD field representative with specific responsibilities related to the project, and requested that the field representative provide us with documentation of HUD's approval for DCHA to use force account procedures. As of the date of this report, the HUD field representative had not provided us with that approval.

**HOPE VI Demolition Application for Fort Dupont Addition and Stoddert Terrace.** On September 10, 1996, DCHA submitted the Application to HUD for review and approval. The Application provides specific project details including:

- objectives and goals;
- tenant relocation plans;
- program budget;
- local and national impact;
- required certifications;
- community responses; and
- description of existing conditions.

The Application describes the Fort Dupont Additions and Stoddert Terrace developments as having serious structural problems, substantial structural deterioration due to a lack of preventative maintenance, and a high average cost of rehabilitation/reconstruction per unit (\$107,344 per unit at Fort Dupont and \$104,969 per unit at Stoddert Terrace). Reasons substantiating the need for demolition of units at both developments included inadequate heating and plumbing systems, cracked foundations, deteriorated storm water drainage systems, and severe soil erosion. *See Application at page 4.* Specifically, the application states:

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## FINDINGS AND RECOMMENDATIONS

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[t]his application requests the demolition of 133 obsolete units, including 6 obsolete and badly deteriorated buildings at the Fort Dupont Addition, and 5 buildings at Stoddert Terrace . . . Demolition is requested for four buildings at Stoddert Terrace, to reduce the overall density of the developments, and to allow construction of a new community center to help provide identity for the Greenway Community. *Id* at 4.

On September 17, 1996, DCHA submitted the Application to HUD for the approval of \$4.8 million for the project of which \$1.5 million was budgeted for the demolition of 133 units. HUD approved DCHA's 1996 request on February 23, 1999. A memorandum we obtained from HUD indicated that the two and half year delay in approving the Application was due to deficiencies in the Application.

Subsequently, on March 17, 2001, DCHA submitted an amended request to HUD seeking demolition approval for 110 units (68 at Fort Dupont Addition and 42 at Stoddert Terrace), rather than the 133 units originally requested. This amended request was attributed to DCHA's finding that it was feasible to rehabilitate and reoccupy 19 units at Fort Dupont Addition and 4 units at Stoddert Terrace, in addition to the residents desire to keep those units occupied. HUD approved the amended request on April 30, 2002; and awarded \$1.9 million to fund the project.

**The Revised Scope of Work.** DCHA could not provide us with the amended request or an official document that detailed the actual work planned for the Fort Dupont projects, based upon the amended request. Therefore, we contacted the HUD Special Application Center (SAC) in Chicago, Illinois in an attempt to obtain this information. The SAC provided us with the amended request, but did not provide us with an official document explaining the actual work planned for the \$1.9 million Fort Dupont project.

An informal memorandum received from DCHA officials during the audit indicated that DCHA revised the scope of work, decided to do the majority of the work using in-house labor, and reduced the initial amount of demolition proposed. The memorandum also stated that the project funds were to be used for the demolition of obsolete housing units, and for structural site improvements such as installation of retaining walls, terracing of a hilly terrain, and correcting poor drainage and erosion problems.

## FINDINGS AND RECOMMENDATIONS

Table 2 shows DCHA's re-allocation of budgeted amounts per line item to complete redevelopment activities for the Fort Dupont projects.

<b>Table 2. Re-allocation of Budgeted Amounts</b>		
<b>Line Item</b>	<b>Budget Amount</b>	<b>Re-allocated Amount</b>
Administration	\$ 442,093.00	\$ 80,000.00
Fees and Costs	710,140.00	200,000.00
Site Improvement	3,307,585.00	1,191,250.00
Non-Dwelling Equipment	00.0	100,000.00
Demolition	0.00	360,000.00
Relocation Costs	403,200.00	63,750.00
<b>Table</b>	<b>\$4,863,018.00</b>	<b>\$1,995,000.00</b>

**Site Visits.** We visited the Fort Dupont project sites (Fort Dupont Additions and Stoddert Terrace) on several occasions. Based upon our site visits, we noted that work planned for the Fort Dupont Additions site appeared to be completed. However, we observed conditions at the Stoddert Terrace site that suggest that work there was not completed.

While visiting, we observed an unsightly hilly landscape, filled with weeds, which surrounded part of the development (See photographs, page 11). As stated in the previous section, the revised scope of work for the project included terracing of a hilly terrain at the Stoddert Terrace site. We question whether DCHA completed this improvement as described in the memorandum.

We also observed that residents occupy most of the housing units, although as many as 13 units were boarded-up at the time of our site visits (See photographs, page 11). Currently, the residents of the development occupy units that are side-by-side with boarded-up units awaiting repairs. We believe that DCHA did not demolish the appropriate number of units as stated in the revised Application.

DCHA began redevelopment activities in December 1998 and has expended \$1.9 million of the HOPE VI funds on the project. Notwithstanding this expenditure of time and money, our observations of the weed-filled, hilly landscape and numerous boarded-up units indicate DCHA did not complete all necessary site improvement work on the project.

## FINDINGS AND RECOMMENDATIONS

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**Review of Project Records.** Project records show that contracts/purchase orders in the amounts of \$60,490 and \$96,500 had been awarded using small purchase procedures to two wrecking companies for the demolition work. We found that the contract/purchase orders required the vendors to demolish only 73 housing units (40 at Fort Dupont Addition and 33 at Stoddert Terrace). However, HUD had approved a request and provided funding for DCHA to demolish 110 housing units.

**Conclusion.** We believe that DCHA's decision to use in-house labor may not have been the most efficient or economical method to complete this project. DCHA could not provide us with a cost benefit analysis generated prior to making a decision to use in-house labor for the project. Further, the two demolition contracts totaled \$156,990 (less than 10% of the total award amount), whereas approximately \$1.1 million (54% of the award amount) had been expended for DCHA personnel services to make infrastructure improvements. However, based upon our site visits and review of the project records, it is not clear whether DCHA demolished the required number of units or completed all of the planned site improvements. The project is currently stagnant.

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## FINDINGS AND RECOMMENDATIONS

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The pictures below show an unsightly hilly landscape which surrounds the Stoddert Terrace housing development as well as a number of boarded-up units.



This picture illustrates an occupied unit next to an unoccupied and boarded-up unit at the Stoddert Terrace housing development.



The picture above illustrates an overgrowth of weeds and bushes where landscaping was planned to occur.



This picture shows an unsightly hilly landscape filled with weeds, which surrounds the development. The revised scope of work included terracing the terrain.



The above picture illustrates boarded-up units side-by-side; another example of incomplete work.



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## FINDINGS AND RECOMMENDATIONS

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### The East Capitol Dwellings/Capitol View Plaza Revitalization Project

DCHA's selection of a lead developer/contractor to provide redevelopment services for the East Capitol revitalization project created concern on the part of the media and the D.C. Council. Prior to DCHA's selection, the executive director of the Housing Authority of Baltimore City (HABC) wrote a letter recommending a developer to function as the lead developer for the project. We noted that on the same day the HABC executive director wrote the recommendation letter, DCHA extended the deadline for receipt of Phase I proposals from November 8, 1999, to November 15, 1999. We also noted that the lead developer submitted its proposal on November 15, 1999. The HABC executive director subsequently resigned from his position at HABC and joined the lead developer, as president of his own company. This position change was reflected in the submission of a proposal to provide redevelopment services for the East Capitol project. DCHA selected the recommended developer, and ultimately the former HABC executive director's company.

As a result of DCHA's selection, an article was published in a local newspaper criticizing both the actions of the former HABC executive director and DCHA. Further, the OIG received a letter from a member of the District of Columbia City Council who expressed concerns about possible improprieties in DCHA's contractor selection process. When we questioned DCHA officials about the allegations in the news article and the council member's letter, officials stated that the contract was awarded to the most responsive offeror, after all pertinent factors were considered.

The OIG sought a legal opinion from HUD as to whether a violation of the federal regulations covering conflicts of interest was committed by the former HABC official. HUD responded that, based on the facts available to them, no conflict of interest existed in this matter. (See Chronology of Events Leading to Award of the East Capitol Dwelling/Capitol View Plaza Revitalization Contract, Exhibit B, for additional details).

**Ethics Policies, Procedures, and Training.** In response to inquiries by a city council member regarding ethical practices in the contractor selection process, we requested DCHA to provide us with its policies and procedures regarding ethics and ethical conduct, and documentation regarding the ethics training provided to DCHA managers. After review of the information provided, we determined that DCHA did not require ethics training for its executives and senior managers. Policies and procedures to require ethics training should be developed and implemented to ensure that DCHA managers adhere to and practice the highest ethical standards in awarding contracts for the development of HOPE VI projects.

## **FINDINGS AND RECOMMENDATIONS**

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### **RECOMMENDATION 1**

We recommend that the District of Columbia Housing Authority Director establish policies and procedures requiring: (a) development of a cost-benefit analysis for use of in-house labor (force account labor) for any HOPE VI project or other grant projects, and (b) submission of the cost-benefit analysis to the U.S. Department of Housing and Urban Development for approval prior to initiating work using in-house labor on HOPE VI projects or any grant.

#### **DCHA Response**

The DCHA officials partially concurred with Recommendation 1(a). DCHA stated even though evaluating the costs for the current HOPE VI projects underway at this time would seem to be of limited value, DCHA will perform and document an economic analysis to be used as an instruction book for future HOPE VI projects.

The DCHA officials concurred with Recommendation 1(b). DCHA states that they will submit the cost-benefit analysis to the U.S. Department of Housing and Urban Development for approval prior to initiating work using in-house labor on any future HOPE VI projects.

#### **OIG Comment**

We consider DCHA's actions to be responsive to the intent of the recommendation.

### **RECOMMENDATION 2**

We recommend that the District of Columbia Housing Authority Director require all DCHA executives and senior managers to attend ethics training biannually.

#### **DCHA Response**

Notwithstanding DCHA's disagreement as to whether ethics training was warranted, DCHA officials stated that they concur with this recommendation.

#### **OIG Comment**

Our difference of opinion is noted; however, DCHA concurred with the recommendation. Accordingly, we request DCHA officials provide a target date for implementation of this new requirement in reply to this final report.

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## FINDINGS AND RECOMMENDATIONS

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### RECOMMENDATION 3

We recommend that the District of Columbia Housing Authority Director ensure that all executives and senior managers complete ethics training within one year of the date of this report.

#### **DCHA Response**

DCHA officials stated that they concur with this recommendation.

#### **OIG Comment**

We request DCHA officials provide a target date for completion of ethics training for all executives and senior managers in reply to this final report.

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## FINDINGS AND RECOMMENDATIONS

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<b>FINDING 2: RECORD MAINTENANCE FOR HOPE VI PROJECTS</b>
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### SYNOPSIS

DCHA did not have critical records regarding the HOPE VI grant agreements in its possession. Further, DCHA did not maintain copies of quarterly reports on program and financial data for each grant, nor did DCHA maintain copies of monthly status/construction reports as required by the contract. Of the four major redevelopment contracts, three did not have complete documentation. DCHA maintained poor records and did not comply with HUD documentation requirements. DCHA officials stated that record keeping was not a priority. As a result, there is no assurance that DCHA is in compliance with the grant requirements. Further, the lack of effective documentation control impedes the ability of DCHA management, HUD, and other oversight bodies to detect fraud and evaluate the efficiency and effectiveness of HOPE VI grant programs.

### DISCUSSION

DCHA did not always have required records available and could not readily provide certain documents for our review so that we could substantiate the specific details of the contractor selection process. The specific documents are described below:

#### Maintaining Original Documentation

- HOPE VI Grant Agreements. DCHA did not maintain signed copies of the 7 grant agreements and took more than 5 months to provide the OIG with signed copies. The delay was necessary because DCHA had to obtain the documents from HUD.
- Revitalization Plans. DCHA provided Revitalization Plans for the four major redevelopment projects 3 months after our initial request.
- Quarterly Reports. DCHA did not maintain any Quarterly Reports. These reports include specific program and financial data for each grant, and are required to be submitted to HUD on a quarterly basis. We obtained the reports from HUD several months after our initial request to DCHA.

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## FINDINGS AND RECOMMENDATIONS

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- **Monthly Status/Construction Reports.** DCHA did not maintain any of the reports, which were to be prepared by the developer and submitted monthly to DCHA as required by the contract between DCHA and the developer. DCHA officials directed us to obtain and review the reports at the site/offices of the various developers.

### Maintaining Complete Documentation

- **HOPE VI Contracts.** Our review of four major redevelopment contracts disclosed that three contracts were incomplete and missing attachments and/or exhibits.
- **Bid Tabulations Sheets.** Contract files for two demolition projects (Highland Addition and Fort Dupont) did not contain Bid Tabulations Sheets. DCHA provided us with the documents in response to a written memorandum.
- **Amended Request and a Detailed Work Plan.** DCHA could not provide us with documents in response to the amended request to HUD seeking demolition approval for 110 housing units or an official document that detailed the actual work planned for the Fort Dupont projects (based upon the amended request).

### Difficulty in Accessing Documentation

- **Revitalization Plans.** In response to our initial request to review revitalization plans for the four major projects, we were told that DCHA did not have plans for three of the projects. We were also informed that there is not a separate document for any of the HOPE VI projects that is referred to as a “revitalization plan or redevelopment plan.” After protracted discussions, we were provided with revitalization plans for all projects.
- **Bank Statements.** Bank statements were provided for our review 3 weeks after our initial request. DCHA did not have one of the monthly bank statements, but ultimately requested and obtained that document from the bank.

**HUD Guidance.** HUD post-award requirements for record retention are stated in 24 CFR § 85.42. Paragraph a requires grantees and sub-grantees to “retain financial and programmatic records, supporting documentation, statistical records, and other records of grantees or sub-grantees, which are:

- (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or
- (ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement.”

## **FINDINGS AND RECOMMENDATIONS**

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Section 24 CFR § 85.42 (a) requires that these records be retained for a minimum of 3 years starting from the date the “grantee or sub-grantee submits to the awarding agency its single or last expenditure report for that period.” *Id* §§ 85.42 (b) and (c). DCHA did not provide us with an adequate explanation for its poor record keeping. During meetings with one official, we were told that the maintenance of certain records (such as the quarterly reports and monthly construction reports) was not a priority.

In our opinion, DCHA officials exhibited insufficient regard for the significance of maintaining complete and accurate records; accurate record keeping is essential for ensuring timely detection of waste, fraud, and mismanagement.

### **RECOMMENDATION 4**

We recommend that the District of Columbia Housing Authority Director establish policies and procedures for maintaining complete and accurate records for each HOPE VI project consistent with the U.S. Department of Housing and Urban Development guidelines.

#### **DCHA Response**

DCHA officials stated in their response that they concurred with this recommendation. This will be accomplished as part of the Authority’s comprehensive update of its policies and procedures manual.

#### **OIG Comment**

The actions to be taken by DCHA, as outlined in the response, clearly meet the intent of our recommendation. However, we request that DCHA provide a target date for implementation of these new policies in reply to this final report.

### **RECOMMENDATION 5**

We recommend that the District of Columbia Housing Authority Director develop a task force comprised of District of Columbia Housing Authority employees whose responsibilities do not include maintenance records, to periodically review practices of record keeping to insure that there is effective document control.

#### **DCHA Comment**

The DCHA officials partially concurred with the recommendation. DCHA provides that they believe quality control over record maintenance is a worthy effort. They submit that no need exists to develop a special task force to accomplish this recommendation.

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## FINDINGS AND RECOMMENDATIONS

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### **OIG Comment**

DCHA's response partially meets the intent of the recommendation. DCHA recognizes the importance of quality control over record maintenance and has proposed alternative measures to ensure documentation quality by stating that the DCHA's Office of Audit and Compliance has included recordkeeping and document control when reviewing program areas. In response to this final report, we request DCHA provide the OIG evidence of such reviews including a list of prior reports, copies of prior reports, and plans for in-house reviews within the next fiscal year.

## EXHIBIT

### EXHIBIT A

Summary of Potential Benefits Resulting From Audit		
Recommendation	Description of Benefit	Amount and Type of Benefit
1	Compliance and Internal Control. Creates policies and procedures for a cost benefit analysis and HUD's approval prior to using force account labor.	Nonmonetary.
2	Compliance and Internal Control. Establishes policies and procedures for biannual ethics training.	Nonmonetary.
3	Program Results. Ensures all executive and senior managers attend ethics training.	Nonmonetary.
4	Program Results. Will result in a task-force review of record-keeping procedures.	Nonmonetary.
5	Compliance and Internal Control. Establishes policies and procedures for HOPE VI project record-keeping consistent with HUD guidelines.	Nonmonetary.



## EXHIBIT

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### EXHIBIT B

#### **Chronology of Events Leading to Award of The East Capitol Dwellings/Capitol View Plaza Revitalization Contract**

**Chronology of Events.** Listed below is a summary of the events that occurred prior to DCHA's selection of the lead developer for the East Capitol Dwellings/Capitol View Plaza redevelopment project.

- In fall 1999, DCHA solicited proposals from developers for the East Capitol Dwellings/Capitol View Plaza redevelopment project. The solicitation was conducted in two phases, each with a stated deadline for receipt of proposals. Phase I proposals were due on November 8, 1999, under the terms of DCHA's initial request for proposals. However, an addendum dated November 5, 1999, changed the deadline for receipt of Phase I proposals from November 8, 1999, to November 15, 1999. The deadline for receipt of Phase II proposals was January 6, 2000.
- By letter dated November 5, 1999, the executive director of HABC recommended a developer (hereafter referred to as Company A) to function as the lead developer on DCHA's East Capitol Dwellings/Capitol View Plaza revitalization project. In the letter to DCHA, the executive director stated, "[o]ur experience with Company A has been very successful in the HOPE VI Programs [in Baltimore] ...." The copy of the letter received by Company A is date-stamped November 8, 1999, the original deadline for receipt of Phase I proposals.
- On November 15, 1999, which was DCHA's revised proposal-submission deadline for Phase I, Company A submitted its proposal. Approximately 2 weeks after the revised deadline for receipt of Phase I proposals, DCHA, in a letter dated November 30, 1999, notified Company A that its Phase I proposal met the eligibility criteria for advancement to the next step in the HOPE VI award process. Specifically, DCHA solicited a proposal from Company A for the Phase II competition. As noted above, the deadline for receipt of the Phase II proposals was January 6, 2000.
- In December 1999, the HABC executive director tendered his resignation.

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## FINDINGS AND RECOMMENDATIONS

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### EXHIBIT B (con't)

#### **Chronology of Events Leading to Award of The East Capitol Dwellings/Capitol View Plaza Revitalization Contract**

- By letter dated January 6, 2000, Company A submitted its proposal in response to DCHA's Phase II competition and informed DCHA officials that Company B, with the former HABC executive director as its president, partnered with Company A to present a proposal for Phase II. Company A stated in its letter, the former executive director, now President of Company B, and his staff bring in-depth experience to HOPE VI revitalization. Three weeks after the deadline for submission of Phase II proposals, DCHA notified Company A/Company B that it was the successful bidder for lead developer on the East Capitol Dwellings/Capitol View Plaza revitalization project.
- In August 2000, HUD awarded a HOPE VI grant for \$30.9 million to DCHA for the East Capitol Dwellings/Capitol View Plaza revitalization project.
- On June 17, 2001, an article was published in a local newspaper that criticized the actions of the former HABC official and DCHA. Also, the OIG received a letter from a member of the District of Columbia City Council expressing concerns about possible improprieties in DCHA's selection process.



## EXHIBIT C

OIG No. 01-2-25PH(b)  
Final Report

### District of Columbia Housing Authority

1133 North Capitol Street, N.E., Washington, D.C. 20002-7599

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March 14, 2003

Charles C. Maddox, Esq.  
Government of the District of Columbia  
Office of the Inspector General  
717 14<sup>th</sup> Street N.W.  
Washington, D.C. 20005

Michael Kelly, Executive Director

Dear Mr. Maddox:

SUBJECT: Draft DCOIG Report, "Audit of the District of Columbia Housing Authority's Contract Management and Record Keeping for HOPE VI Projects (OIG No. 01-2-25PH)," dated February 21, 2003

Thank you for providing us with a copy of your draft report on the above subject. We have enclosed our response to each recommendation as it appears in the report. We have indicated our concurrence or non-concurrence, as appropriate, and have stated our reason(s) for any nonconcurrence.

Please note that we have met the March 14, 2003 deadline for submitting this response. To ensure a balanced and accurate interpretation of your findings, we respectfully, but urgently, request that your office include a verbatim copy of our response in any transmission of the report in question to a third party. We ask that this include the publication of our response in any written or electronic medium (including, but not limited to, website posting) you use to make the report available to a third party.

Again, thank you for apprising us of your draft report and considering the inclusion of our response in all your transmissions or publication of your findings.

Sincerely,

Michael Kelly  
Executive Director

Attachments



**Government of the District of Columbia  
Office of Inspector General**

*audit of*

***March 14, 2003***

District of Columbia Housing Authority  
1133 North Capitol Street, NE  
Washington, DC 2002

District of Columbia Housing Authority's  
Response to the District Government Office of Inspector General (DCOIG)  
Audit of DCHA's HOPE VI  
**CONTRACT MANAGEMENT AND RECORDKEEPING**  
(OIG No. 01-2-25PH(b))

Following is a brief summary of the findings and recommendations in the DCOIG's Audit Report with which we respectfully disagree, concur, or partially concur:

**FINDING 1: COMPLIANCE WITH PROCUREMENT REGULATIONS**

**No Conflict of Interest**

The report maintained that DCHA's selection of a lead developer/contractor for the East Capitol revitalization project created concern on the part of the media and the District of Columbia City Council. It further indicated that the OIG sought a legal opinion from HUD about violation of the federal regulation covering conflicts of interest allegedly committed by the former Housing Authority of Baltimore City (HABC) official (Daniel Henson). The report asserted that the alleged conflict occurred when the official wrote a letter of recommendation on behalf of the developer, A&R Development, and subsequently joined the development team in the Phase II application submittal. The report also stated that HUD opined that *no* conflict of interest existed in this matter. Consequently, we take serious exception to you leaving the statement found in the Audit Report on Page 6 that "in the case of the East Capitol project, *the contract award process called into question the integrity of DCHA's contracting practices.*"

**DCHA RESPONSE:** As both DCHA's General Counsel and HUD General Counsel opined, no conflict of interest existed with respect to Mr. Henson's recommendation letter and the subsequent addition of the Henson Company to the A&R Development team. As the facts bear out, the contract was awarded to the most responsive offeror, after all pertinent factors were considered. Hence, it is safe to conclude that the newspaper innuendo and concerns of the Council should have been put to rest with the HUD opinion. Yet, the report strongly hinted that there was impropriety, absent independent corroboration on the above statement, in DCHA's contract award process for the East Capitol revitalization. We believe that basic fairness dictates that this statement be removed from the final report and thus request such.

**Compliance with Program Rules and Regulations**

The DCOIG report stated: "DCHA did not fully comply with applicable program rules and regulations for awarding contracts to developers or contractors to undertake redevelopment activities for HOPE VI projects." To support this contention, the report cited the alleged

failure of DCHA to obtain prior written approval to use Force Account for the Fort Dupont/Stoddert Terrace demolition work. The report also stated that the Authority's decision to use in-house labor may not have been the most efficient or economical way to complete the project.

**DCHA RESPONSE:** Overall, we believe that DCHA complied with the HOPE VI statutory and regulatory requirements that were in effect when it made key decisions regarding this demolition project. The Authority is also persuaded that it followed the best practices in those areas where specific guidance was lacking.

It is important to note that the work at Fort Dupont/Stoddert Terrace began under DCHA's Receivership when the Authority had broad authority to turn around the District of Columbia's most severely distressed public housing. During this critical time, DCHA had put in place an extraordinary infrastructure to renovate its housing stock under the Force Account. This infrastructure was part of its Occupied Unit Rehabilitation Program (OURP), a multi-year effort to bring every occupied dwelling unit up to code and increased livability.

In fact, an analysis of the cost-effectiveness of the force account method, compared to the contracting out method of completing Occupied Unit Rehabilitation Work at Park Morton and Greenleaf properties was prepared. (See Attachment 1) It is critical to keep in mind that these projects were intended merely as demonstration projects to test the relative effectiveness of the two methods of completing the necessary work. Our experience with those two projects demonstrated the disadvantages of using outside contractors for occupied unit rehabilitation. Therefore, DCHA had absolutely no reason to believe that the results of a cost-analysis for the Fort Dupont/Stoddert Terrace demolition would yield different results.

We concede that written approval from HUD to use force account specifically at Fort Dupont/Stoddert Terrace was not obtained. However, we believe it significant to stress that, at the time, DCHA had been meeting with HUD on a regular basis and had broad HUD approval for the use of Force Account to accomplish OURP and other Receivership initiatives. Consequently, the work at Fort Dupont/Stoddert Terrace by Force Account allowed the Authority to achieve a greater degree of control of the project and a number of creative cost-savings. We also were able to reduce the initial amount of demolition proposed as a result of receiving less money.

**RECOMMENDATION 1:** Establish policies and procedures requiring the

- a. Development of a cost-benefit analysis for use of in-house labor (force account labor) for any HOPE VI project or other grant projects;
- b. Submission of the cost-benefit analysis to HUD for approval prior to initiating work using in-house labor on HOPE VI projects or any grant.

### **DCHA RESPONSE:**

1a. With due respect, we partially concur with this recommendation. Although evaluating the costs for the current HOPE VI projects, underway at this time, would seem to be of limited value, DCHA will perform and document an economic analysis to be used as an instruction book for future HOPE VI projects

1b. With due respect, we concur with this recommendation. DCHA will submit the cost-benefit analysis to the U.S. Department of Housing and Urban Development for approval prior to initiating work using in-house labor on any future HOPE VI projects.

### **Scope of Work for Fort Dupont/Stoddert Terrace**

The report stated that DCHA could not provide the amended request or an official document that detailed the actual work planned for the Fort Dupont/Stoddert Terrace projects.

**DCHA RESPONSE:** We respectfully disagree with this conclusion. As stated in the HOPE VI demolition application, which was provided to the DCOIG, the funds requested included funds earmarked for both demolition and structural site improvements, such as retaining walls and the terracing of the hilly terrain. This was so because these were site problems that contributed to the need for partial demolition of the site. Poor drainage and erosion problems also threatened the viability of other portions of the site. The allowable scope of the use of HOPE VI demolition funds includes site, soil, and storm-water infrastructure repair. The actual request to HUD, in the original application, was for \$5 million, since we had wished to do a more radical reworking of the site. However, we only received a partial award. We subsequently revised the scope of work and decided to do the majority of work in house.

### **Completion of Work at Stoddert Terrace**

The report stated that, based upon site visits, the auditors observed conditions at Stoddert Terrace that suggested incomplete work. As evidence of these observations, auditors observed as many as 13 boarded-up units and an unsightly hilly landscape filled with weeds.

**DCHA RESPONSE:** We respectfully take strong exception to the inference that the boarded-up units observed at Stoddert Terrace meant that the HOPE VI work there was not completed. In fact, the auditors questioned in September of 2002 why the units were boarded up, to which we promptly responded. The units (247, 249, 290, 288, 286, and 284 37th Place and 265-271, 255-261, 235, 237 37th Street) are off line due to DCHA's ADA/504 Program in conformance with the Voluntary Compliance Agreement with HUD. The unit at 222 37th Street was, at the time, an abandoned unit that was going through the legal process. None of the vacant units had anything to do with the HOPE VI work at Stoddert Terrace. Work on the hillside is not included in the scope of work for the HOPE VI grant and has not yet been completed. The work,

covered under the DCHA capital program, will include tiering the hillside and completing drainage work.

### **Number of Units Demolished at Fort Dupont/Stoddert Terrace**

The report averred that it is unclear whether DCHA demolished the required number of units or completed all of the planned site improvements. Further, it purported that the Fort Dupont/Stoddert Terrace project is currently stagnant.

**DCHA RESPONSE:** We respectfully disagree with this postulation. The original application to HUD for Fort Dupont/Stoddert Terrace requested the demolition of 133 obsolete units. DCHA's change in plan to demolish 110 units, instead of the 133 included in the original request, and HUD's approval of the reduction, is outlined in a HUD letter dated April 30, 2002, previously provided to the DCOIG. The letter, signed by Michael Liu, Assistant Secretary, stated:

The DCHA stated in its current request that following the approval of the application, the residents and the resident councils of Fort Dupont Additions and Stoddert Terrace requested additional consultation with DCHA and requested that certain units at both developments be preserved and not demolished. Taking resident requests into consideration, and after completing further engineering studies and construction estimates, the DCHA determined it was feasible to rehabilitate and reoccupy 19 units in one building at Fort Dupont Additions and 4 units in one building at Stoddert Terrace. Based on the above, the DCHA requested that the Department amend demolition approval of February 23, 1999, to rescind the demolition approval of 19 units in one building at Fort Dupont Additions and 4 units at Stoddert Terrace, and allow the DCHA to rehabilitate these units. Based on the information provided by the DCHA, your request to amend the demolition approval of February 23, 1999, to exclude the demolition of 19 units at Fort Dupont Additions and 4 units at Stoddert Terrace, is hereby approved. .

Further, the DCOIG indicated that it reviewed documentation for Stoddert/Ft. Dupont demolition that only totaled 73 units (40 units at Fort Dupont; 33 units at Stoddert).

**DCHA RESPONSE:** The 110 units were demolished by the following contractors:

#### **Ft. Dupont Addition (68 units total):**

35 units at Fort Dupont Additions were determined to be unsafe and were demolished on an emergency basis in the summer of 1998 by APH Wrecking Company through a contract managed by the OURP.

33 units were demolished by the National Wrecking Company in Fall of 1999.



Stoddert Terrace (42 units total):

- 40 units were demolished at Stoddert Terrace in the Spring of 1999 by All Aboard Contracting.
- 2 units attached to a building were demolished by APH Wrecking Company, after it was determined that the foundation under the two units was cracked. The rest of the building could be rehabilitated, according to the company.

**Ethics Training for Executives and Senior Managers**

The report stated that DCHA failed to require ethics training for its executives and senior managers.

**DCHA RESPONSE:** We admit that ethics training for DCHA executives and senior managers is a worthwhile professional development endeavor. At the same time, we feel constrained to point out that the report makes no mention of the fact that, as early as March 2002, DCHA has been including ethics and standards of conduct as topics in its New Employee Orientation Program. (See Attachment 2) To reinforce this policy, plans are currently underway that will require senior staff to attend an ethics and standards of conduct training session. Furthermore, DCHA has an initiative in its 2-Year Strategic Plan, which began in October of 2002, requiring the development of a comprehensive fraud, waste, abuse, and ethics training for all new and current DCHA employees. (See Attachment 3) Additionally, three senior officials involved in the subject procurement attended a nationally-sponsored HUD procurement training and all were certified to review and approve procurement processes.

**RECOMMENDATION 2:** Require all DCHA executives and senior managers to attend ethics training bi-annually.

**DCHA RESPONSE:**

Respectfully, we also concur with this recommendation. Please note, however, that our concurrence with this recommendation does not mean that we agree with the auditors' inference that such training is warranted due to improprieties in DCHA's contracting practices, as related to the contract award to the developer for the East Capitol revitalization project.

**RECOMMENDATION 3:** Ensure that all executives and senior managers complete ethics training within one year of the date of this report.

**DCHA RESPONSE:**

We respectfully concur with the recommendations. (See our comments in Recommendation 2)

## FINDING 2: RECORDS MAINTENANCE FOR HOPE VI PROJECTS

### **Accurate, Complete, and Timely Records and Reports**

The report stated that “DCHA could not provide us with accurate, complete, and timely records and reports,” adding that “when DCHA provided requested records, initially the records were incomplete and lacked significant attachments or other relevant documents.” The report cited the HOPE VI Grant Agreements; Revitalization Plans; Quarterly Reports and Monthly Status/Construction Reports, as evidence of these supposed irregularities.

Overall, we believe we addressed many of these issues in our response to the Audit Report on HOPE VI Monitoring, particularly with respect to the issues raised about the Grant Agreements, Revitalization Plans, and Quarterly Reports. We stand by our original response to these issues and provide only an abbreviated statement of our response herein. Among other things, the Authority has undertaken, at the direction of its Executive Director, a comprehensive update of the Authority’s Policies and Procedures Manual. This revised manual will include HOPE VI procedures and overall records disposition and maintenance procedures for the entire Authority.

Following are specific responses to the issues raised under this finding:

#### **a. GRANT AGREEMENTS**

**DCHA RESPONSE:** We respectfully disagree with the comments on this topic. On numerous occasions, the auditors requested copies of the HOPE VI Grant Agreements. As we repeatedly explained to the auditors, HUD had not provided DCHA with copies of the HUD-executed Grant Agreements. It has been our experience that HUD rarely returns the fully-executed copy of the Grant Agreement to the Authority. Even though DCHA’s file copies were not executed copies, we had all required documents needed to manage the grants. Nonetheless, in a good faith effort to comply with the auditors’ request, we contacted HUD to obtain executed copies of the Grant Agreements. Our delay in providing the auditors with copies of the grant agreements was due to HUD’s delay in providing copies of the grant agreements to us in a timely manner.

#### **b. REVITALIZATION PLANS**

**DCHA RESPONSE:** We were unsuccessful in our efforts to explain to the auditors the highly technical details of what constituted a Revitalization Plan, despite many conversations and written correspondence, including a confirmatory letter from HUD.

#### **c. QUARTERLY REPORTS/MONTHLY CONSTRUCTION STATUS REPORTS**

**DCHA RESPONSE:** We provided the auditors with concrete samples of the above reports. After complying with this particular request, we were asked by the auditors to produce all monthly and quarterly status reports. Since this was a mammoth request, we offered to arrange to have the reports made available to the auditors at the various construction management officers. The auditors, however, declined our offer. We are

unaware of any regulation requiring that hard copies of the latter reports be physically maintained at DCHA.

d. BID TABULATION SHEETS

**DCHA RESPONSE:** We need clarification as to why the report stated that Bid Tabulation Sheets were missing from the contract files for two demolition projects (i.e., Highland Addition and Fort Dupont). When the auditors raised the question back in March of 2002, we reviewed the files and the Bid Tabulation Sheets were not only on file, but also provided to the auditors.

e. BANK STATEMENTS

**DCHA RESPONSE:** As we stated previously, DCHA devoted an inordinate amount of time, throughout the 13-month audit period, attempting to respond to the auditors' voluminous requests for documents and other information. Our effort to satisfy the auditors' request for bank statements was no exception. Unfortunately, it took several weeks to gather the bank statements requested. The fact that we had to obtain one month's statement directly from the bank necessarily prolonged our gathering of the information.

**RECOMMENDATION 4:** Establish policies and procedures for maintaining complete and accurate records for each HOPE VI project, consistent with HUD guidelines.

**DCHA RESPONSE:**

Respectfully, we concur with the recommendation. This will be accomplished as part of the Authority's comprehensive update of its policies and procedures manual.

**RECOMMENDATION 5:** Develop a task force comprised of DCHA employees whose responsibilities do not include maintenance of records to periodically review practices of recordkeeping to insure that there is effective document control.

**DCHA RESPONSE:**

Respectfully, we partially concur with the recommendation. While we believe quality control over records maintenance is a worthy effort, we submit that no need exists to develop a special task force to accomplish it. As you know, our Office of Audit and Compliance regularly reviews/audits DCHA's major program areas to include recordkeeping and document control within those program areas.

## **ATTACHMENT**

## **ANALYSIS OF THE COST EFFECTIVENESS OF THE FORCE ACCOUNT METHOD COMPARED TO THE CONTRACTING OUT METHOD OF COMPLETING OCCUPIED UNIT REHABILITATION WORK**

The District of Columbia Housing Authority (DCHA) is pursuing a comprehensive multi year effort to bring every occupied dwelling unit in its inventory up to code and Housing Quality Standards and to repair or replace barely functioning systems to increase the general livability of the units and reduce the subsequent routine maintenance required in each unit. This effort is being carried out at the same time a concentrated effort is underway to reduce the number of vacant units to zero.

### **Speed of Completion**

DCHA has determined that the Force Account method combined with limited use of subcontractors is the most efficient and cost effective way to accomplish the objectives of the Occupied Unit Rehabilitation Program. The first two projects to be started in the OUR program were Park Morton and Greenleaf. These projects were intended as demonstration projects to test the relative effectiveness of the two methods of completing the necessary work. Park Morton, which was rehabilitated under the Force Account methodology, is now complete and the analysis of the costs is virtually complete. Greenleaf, which was undertaken using outside contractors, is still underway and has been expedited by introducing force account labor to the project to augment the work of the contractors. Our experience with these two projects has demonstrated the first source of savings from employing the Force Account methodology: TIME.

### **Preparation of Construction Documents**

Because a very experienced and competent construction manager was employed at Greenleaf, the use of outside contractors was done in the most stripped down method possible. The DCHA construction manager at Greenleaf serves the function of general contractor and hires, schedules and coordinates all the subcontractors. Because personnel with this skill level are not available to DCHA in the numbers necessary to handle all the projects that must be ongoing simultaneously to meet our time schedule, if DCHA were to use contractors for the bulk of the work for all the properties, general contractors would have to be used to coordinate the work of the subcontractors. In order to do this, a construction document package would have to be prepared bringing a significant additional cost to the project.

As part of the DCHA effort to eliminate all vacant units, we have developed a streamlined method of preparing adequate construction/contracting documents without requiring full plans and specifications. This streamlined package developed for contracting out the rehabilitation of severely damaged vacant units, costs an average of \$900/unit rather than the more typical \$5,000-\$8,000/unit for a full package of drawings and specifications. Even the streamlined construction document package would add \$900 to the per unit cost for occupied units rehabilitated by a general contractor.

### **Contractor's Profit**

The second cost avoided by using the Force Account method to complete the Occupied Unit Rehabilitation Program is the Contractors profit. Industry standards would indicate that this is at least 5% added to labor and materials cost for each subcontractor and an additional 5% added to the overall job cost by the general contractor. The profit for the subcontractor and general contractor would add approximately 10% to the cost of every unit. With average OUR dwelling unit costs of \$5,000 per unit, this is an additional \$500 added to the cost of each unit on top of the \$900 per unit cost for construction/contract document costs.

Observation of the Force Account process shows that it generates additional work for DCHA in materials procurement and distribution and personnel administration than the contracting out process would. The contracting out process generates greater work in architectural and engineering contract procurement, administration and overhead, construction document preparation and in construction contract procurement, administration and oversight. The additional overhead requirements of each method appear to offset each other so that neither method is less expensive to the Authority in administrative costs.

### **Flexibility and Quality Control**

The advantage of the Force Account process is that there is more direct control of speed of completion and quality of work and greater flexibility in modifying work scopes once work is underway. This flexibility in the Force Account process avoids the expensive change order process that would be required with the extensive use of general contractors. The flexibility of the Force Account method allows the projects to move on a fast track. Under Force Account, complete inspections and detailed scopes for each unit are not needed before the work can be started. As workers discover more or less work is needed once the work is underway, the changes to the scope can be made without the cost of analyzing and negotiating a change order. Items can be repaired or patched that would be replaced at additional unnecessary cost per unit, if a contractor did the job. These three advantages of the Force Account method translate into dollar savings by providing greater value for the funds expended.

Under Force Account, if work is not satisfactory, staff can be sent immediately to the deficiency to correct it. The correction of a deficiency under the contracting method can often require protracted negotiation leading often to arbitration or litigation. These contingencies add significantly to the cost of the job and so often are not cost effective to use, as a result, in house force account staff would have to redo parts of the contractor's work in order for it to be completed satisfactorily. The Force Account method gives DCHA direct and immediate control of the quality of the work.

### **Convenience to residents**

With this type of work, Occupied Unit Rehabilitation, the comfort and convenience of the residents must be a primary consideration in project planning. Using Force Account crews allows the Authority to minimize the inconvenience to the residents by designing the work schedule in such a way that the rehabilitation crew completes the entire scope in each unit before moving on. A general contractor using a variety of subcontractors, while he may commit to organize his work unit by unit, will very rarely keep this commitment. The result would be that

just as a family put its effects back in order from one trade's disruption of the unit, the next trade would come through creating a new disturbance. Any contract incorporating strict provisions requiring, and penalties encouraging, strict unit by unit scheduling would be very costly.

With trade by trade contracts being used in conjunction with Force Account crews in the way DCHA has found to be most effective, the DCHA project managers are able to function as construction managers and have direct control over a very limited number of subcontractors and thus have better control of the scheduling and quality of work as well as the sequencing through units to minimize the disruption to the residents. These advantages combined with the cost savings of approximately \$1400 per unit that result from not having to pay for contractor's profit or contract document packages show the clear advantage of the Force Account method over the contract out method.

### **Cost comparison and analysis**

A comparison of costs at Greenleaf and Park Morton to demonstrate these conclusions with hard numbers is difficult since Greenleaf is still not finished. Even if Greenleaf were completed, a true comparison of equivalent comparables would be difficult since the scopes of work and unit types are very different and because in the interest of moving the Greenleaf project along, the use of outside contractors alone was quickly abandoned as delays increased. One area where an apples to apples comparison is possible is in floor tile. At Greenleaf a supply and install contract for vinyl composition tile was let at a unit price of \$1.35 per sq.ft. At Park Morton vinyl floor tile and adhesive was acquired for \$.45 per sq.ft. An analysis of costs at Park Morton showed that the labor/material ratio was approximately 60/40. Using this ratio, the cost to supply and install floor tile would be \$1.10, even adding 5% for overhead brings the cost to \$1.16. This would be a 16% savings over the actual costs of contracting out the same task.

An analysis of the costs verified by a comprehensive review of all invoices and charges for Park Morton is attached. It shows the ratio of labor to materials costs and a per unit OUR cost. This analysis was prepared by reviewing every invoice charged to the Park Morton Occupied Unit Rehabilitation program and categorizing it according to the aspect of the project for which it was used. These categories were as follows:

1. OUR Dwelling Unit Costs
2. OUR Common fixtures and Common areas
3. Systems- OUR Concurrent Expenses
4. Site- OUR Concurrent Expenses
5. Dwelling Equipment: Appliances
6. Expendable tools
7. Construction Support

Items 1-5 have a labor component associated with them. Items 5-7 have no labor allocated to them. The appropriate allocation of labor costs was determined by totaling all the materials costs that would have a labor cost associated with them. The materials total was added to the payroll and benefits costs charged to the property to arrive at the total direct property improvement costs. The percentage of the total direct property improvement costs that was labor and the percentage of the total that was materials was then determined.

Total Occupied Unit Rehabilitation costs were calculated by the sum of

1. OUR Dwelling Unit costs
2. OUR Common fixtures and Common areas and
7. Construction Support.

This total was divided by the number of units rehabilitated, 171, to arrive at a per unit cost for Occupied Unit Rehabilitation of just over \$7,000. This figure will be increased by the addition of the appropriate allocation of administrative costs and tools. Our analysis shows that if the project had been contracted out, the cost would be at least \$1400 higher with the costs of a general contractors profit and the cost to prepare a contract package added to this figure. This would be just the beginning of the disadvantages of using outside contractors for occupied unit rehabilitation.



PARK MORTON  
OCCUPIED UNIT REHAB PROGRAM  
REVIEW OF EXPENSES AND PER UNIT COSTS

number of units rehabbed 171

1 OUR Dwelling Unit Costs

Materials	Contracts	Labor	Total
\$ 220,967	\$	\$ 364,579	\$ 585,546

2 OUR Common Fixtures and Common Areas

Materials	Contracts	Labor	Total
\$ 171,227	\$ 47,850	\$ 282,512	\$ 501,590

3 Systems- OUR Concurrent Expenses

Materials	Contracts	Labor	Total
\$ -	\$ -	\$	\$

4 Site Costs- OUR Concurrent Expenses

Materials	Contracts	Labor	Total
\$ 24,141	\$ 52,775	\$ 39,831	\$ 116,747

5 Dwelling Equipment: Appliances

Materials	Contracts	Labor	Total
\$ 57,508	\$	\$ 94,884	\$ 152,392

6 Expendable tools

Materials	Contracts	Total
\$ 6,746	\$	\$ 6,746

7 Construction Support

Materials	Contracts	Total
\$	\$ 122,250	\$ 122,250
TOTAL OUR AND CONCURRENT EXPENSES		\$ 1,485,270

Direct Property Improvement Costs- Materials	\$ 473,843	38% Materials
Direct Property Improvement Costs- Labor	\$ 781,806	62% Labor
		100% Total

Direct Property Improvement Costs- Contracts	\$ 100,625
Direct Property Improvement Costs- TOTAL	\$ 1,356,274

OUR Costs

1 OUR Dwelling Unit Costs	\$ 585,546
2 OUR Common Fixtures and Common Areas	\$ 501,590
7 Construction Support	\$ 122,250
	\$ 1,209,385

OUR per Unit Costs \$ 7,072

## **ATTACHMENT 2**



# **DISTRICT OF COLUMBIA HOUSING AUTHORITY**

Human Resources Department

## **PROCEDURES FOR THE NEW EMPLOYEE ORIENTATION PROGRAM**

### **I. Purpose**

The District of Columbia Housing Authority is committed to an enhanced quality of work life for all its employees and expects its employees to make meaningful contributions in fostering a productive, efficient and safe work environment. In this regard, it is imperative that all new employees participate in a comprehensive orientation program which is designed to facilitate a positive integration into the Authority's operations. Participation in this process will ensure that employees are well informed on all aspects of their work expectations which will result in a more productive and satisfying employment relationship.

### **II. Scope**

All new employees will be required to participate in the New Employee Orientation Program.

### **III. Program Design**

The orientation of new employees will consist of three phases. The first phase will involve employee processing. This includes benefits information and the completion of related documents. The second phase will consist of a meeting with the new employee and his/her supervisor regarding job content (position description), performance standards and expectations. The third phase will be the general orientation training session (see schedule).

### **IV. Methodology**

The program content will be presented through presentation/discussion, lecture and audio-visual aids.

### **V. Learning Objectives**

After completion of the program, each participant will:

1. Understand the Mission, Vision, and structure of DCHA;
2. Understand job duties and responsibilities and performance expectations;
3. Have a basic knowledge of all personnel policies and procedures and departmental standard operating procedures;
4. Understand DCHA's duties, responsibilities and procedures under the VCA, Section 504, ADA, the Fair Housing Act, the Architectural Barriers Act, and their respective implementation regulations;

5. Know standards of conduct; Financial Disclosure and Code of Ethics
6. Understand Code of Ethics and Financial/Employment Disclosure
7. Be able to demonstrate good customer service standards and telephone etiquette;
8. Know how to achieve a successful work experience; and
9. Understand provisions of union contract, if applicable.

## **VI. Orientation Procedures**

### ***Phase One***

The following procedures will govern the management of the New Employee Orientation Program:

1. All new employees will report to Human Resources promptly on their first day at work.
2. The HR representative will facilitate the following tasks:
  - a) Obtain ID information for personal verification and compliance with the Immigration Act;
  - b) Counsel Employee on Health and Life Insurance, Pension and Retirement options
  - c) Complete all employment and benefit documents
  - d) Complete initial statements of employment of Financial Interests
  - e) Issue work ID badge
  - f) Escort new employee to worksite
  - g) Complete initial financial disclosure

### ***Phase Two***

1. The employee's supervisor or designee will complete the following tasks:
  - a) Introduce employee to co-workers and assign office space or work station;
  - b) Meet with employee to review position description, performance standards, job expectations, essential/non essential status, and performance evaluation process;
  - c) Review time and attendance, lunch break and leave procedures;
  - d) Conduct job specific training including departmental standard operating procedures, IT policy, and safety, if necessary; and
  - e) Issue uniforms and provide all tools and equipment to perform work, as necessary.

### ***Phase Three***

The organizational orientation will be held on the second Monday of each month from 9:00 am to 2:30 pm in the Training Room on the fourth floor in the Central Office. (The Human Resources Department will send out reminder notices to new employees and their supervisors.) The program will entail the following schedule:

## **ORGANIZATIONAL ORIENTATION PROGRAM**

**9:00 am WELCOME**

**9:15 am OVERVIEW OF DCHA**

- Mission, Vision, and Organization Structure

**9:45 am POLICIES AND PROCEDURES**

- EEO Policies
- ADA/504 Compliance
- Employment Status (Probationary Period)
- Performance Evaluations
- Compensation (step increases)
- Leave Administration & Leave Incentive
- Standard of Conduct
- Statements of Employment & Financial Interest
- Administrative Services Policies on:
  - Authority vehicles, telephones & pagers
- Emergency Procedures
- Employee Safety
- Drug Free Workplace
- Employee Assistance
- Financial Disclosure – Ethics
- Essential Employee
- Hours, Breaks

**11:00 am BREAK**

**11:15 am TRAINING ACTIVITIES**

- 1 “WORKSMARTS”  
Video/Discussion/Exercise - Tips on How to Be Successful In the Workplace
2. Customer Relations and Telephone Etiquette

**12:15 pm EMPLOYEE INCENTIVE AWARDS PROGRAM**

**12:30 pm LUNCH**

**1: 00 pm VIDEO TOUR OF DCHA**

**1:30 pm DCHA EMPLOYEE ASSOCIATION REPRESENTATIVE**

**1:45 pm LOCAL UNION 2725 REPRESENTATIVE (IF APPLICABLE)**

**2:30 pm COMPLETION OF BENEFITS PROCESSING (IF NEEDED)**

**OTHER EMPLOYEES WILL RETURN TO WORKSITE**

## **ATTACHMENT**

# District of Columbia Housing Authority

## 2 Year Plan

October 2002

*An Outcome-Driven Strategy for Continuous  
Improvement Toward Excellence*



**Russell Simmons**  
Chairman, Board of Commissioners

**Michael Kelly**  
Executive Director



**Objective G4:**

***Direct internal audit activities toward highest exposure to risk and to increasing efficiency, economy, and effectiveness of operations.***

**Overview:** DCHA's Office of Audit and Compliance serves the Authority by identifying and contributing to the improvement of risk management, assessing whether policies, procedures, laws, and regulations are followed and established standards are met, whether resources are used efficiently and effectively, and whether DCHA's objectives are achieved.

Annually, the internal audit planning process includes a reconsideration of audit priorities as new activities and programs are identified together with changes in the existing organization. All DCHA programs, activities and functions are subject to internal audit. However, audit resources limit what the Office of Audit and Compliance can include in its annual plan. As a result, a risk assessment process is used in assessing the probability that adverse conditions or events may occur that affect DCHA. Those programs, activities, and functions with the most exposure to risk and the greatest benefit for increasing efficiency, economy, and effectiveness are typically audited first.

**Initiatives:** This objective of risk-based internal auditing and increased efficiency, economy, and effectiveness of operations is a continuous effort with the initiatives stated below. DCHA will

- enhance the method for determining financial exposure, potential loss and risk associated with DCHA's programs and activities;

- perform cycle tests of segments of DCHA's financial and compliance operations, i.e. cash receipts, cash disbursements, payroll, customer service monitoring, etc.;

- develop a comprehensive fraud, waste, abuse, ethics training for all new and current DCHA employees;

- flowchart all internal control systems within DCHA and provide recommendations for improvement; and

- catalogue DCHA databases and determine back-up procedures for major functions such as accounts payable, tenant accounting, etc.

**Outcomes:** The outcomes of this objective include a risk-based internal auditing function that complements the annual independent audit and reduced instances of fraud, waste, and abuse.

**Responsibility:** The Office of Audit and Compliance has lead responsibility for coordinating completion of this objective with support from departments Authority-wide.